

**Aurora R. Valenti**  
**TOMPKINS COUNTY CLERK**

320 North Tioga Street  
Ithaca, NY 14850

(607) 274-5431  
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**Instrument Number**

**\*521475-001\***

No. of Pages: 6

Delivered By: MICHAEL LANE

Receipt No. 521475

Return To:  
MICHAEL LANE

DATE: 02/08/2008

Time: 01:24 PM

Document Type: EASEMENT/LEASE

Parties To Transaction: KONOWALOW/ROSENKRANTZ - MORROW CREE

**Deed Information**

Consideration: \$8,500.00

Transfer Tax: \$34.00

RETT No: 01978

County Transfer Tax: \$17.00

State of New York  
Tompkins County Clerk

**Mortgage Information**

Mortgage Amount

Basic Mtge. Tax:

Special Mtge. Tax:

Additional Mtge. Tax:

Mortgage Serial No.:

This sheet constitutes the Clerk endorsement required by Section 316-A(5) & Section 319 of the Real Property Law of the State of New York. DO NOT DETACH

*Aurora R. Valenti*

**Tompkins County Clerk**



## OIL AND GAS, AND AGRICULTURAL LEASE

This lease made this 6th day of February, 2008, by and between

DANIEL D. KONOWALOW and MARCY E. ROSENKRANTZ,  
as Trustees of the DANIEL D. KONOWALOW and  
MARCY E. ROSENKRANTZ FAMILY TRUST, under agree-  
ment dated August 14, 1990, 199 Algerine Road,  
Lansing, New York,

LESSOR

and

MORROW CREEK FARM, LLC, a New York Limited  
Liability Company, 199 Algerine Road, Lansing,  
New York

LESSEE

Lessor leases to Lessee and Lessee leases from Lessor certain real property and rights therein located on Algerine Road in the Town of Lansing, County of Tompkins and State of New York upon the following terms and conditions:

1. The Lessor holds real property conveyed by Robert Littlefield, Trustee, and Jon A Nedrow and William J. Nedrow to Daniel D. Konowalow and Marcy E. Rosenkrantz, as Trustees of the Daniel D. Konowalow and Marcy E. Rosenkrantz Family Trust by deed dated November 3, 1994 and recorded in the Tompkins County Clerk's Office in Liber 738 of Deeds at page 294, therein recited as containing 85.288 acres, and identified as Town of Lansing Tax Map No. 12-1-22.

a. Lessor leases to Lessee for normal agricultural purposes only, 50.91 acres located on the north side of Algerine Road, and also 34.378 acres on the south said of Algerine Road, there being excepted from the 34.378 acre parcel, however, approximately 1 acre of land, including the house, garage, and fenced-in area, on the south side of Algerine Road; and

b. Lessor leases exclusively to Lessee all minerals, including but not limited to, oil and gas and their constituents, whether hydrocarbon or non-hydrocarbon, underlying the land herein leased, being the entire 85.288 acres of Lessor's real property, together with such exclusive rights as may be necessary or convenient for Lessee, at its election, to explore for, develop, produce, measure, and market production from the real property, and from adjoining lands, using methods and techniques which are not restricted to current technology, including the exclusive right to conduct geophysical and other exploratory tests; to drill, maintain, operate, cease to operate, plug, abandon, and remove wells; to use or install roads, electric power and telephone facilities, and to construct pipelines with appurtenant facilities, including data acquisition, compression and collection facilities for use in the production and transportation of products for the Leasehold and/or from neighboring lands across the Leasehold, and such rights shall survive the term of this agreement for so long thereafter as operations are continued; to use oil, gas, and non-domestic water sources, free of cost; to operate, maintain, repair, and remove materials and equipment.

2. LEASE TERM. This lease is for a term of five (5) years commencing February 1, 2008 and ending January 31, 2013, and with respect to the said

mineral rights, for as long thereafter as operations are conducted on the real property in search of, or production of oil, gas, or their constituents, or for as long as a well capable of production is located on the real property, or for as long as extended by provisions herein. If after the term the last producing well on the Leasehold is plugged and abandoned, the real property will remain under Lease for an additional period of one year from the date of plugging and abandonment.

3. AGRICULTURAL PRACTICES. In use of the real property for agricultural purposes, the Lessee shall maintain and use them in accordance with good husbandry and agricultural practices. At the end of the term of the lease, Lessee shall deliver them up in at least as good condition they are now, and the fields shall be left limed, fertilized, planted, seeded, and/or groomed in the manner then specified by the Lessor.

4. PAYMENTS TO THE LESSOR.

(A) RENTAL: The Lessee shall pay to the Lessor the sum of Eight Thousand Five Hundred Dollars (\$8,500.00), in advance; and

(B) DELAYED RENTAL: In addition, if operations for drilling are not commenced on the real property or lands pooled or unitized therewith, or any part hereof, within ninety days from the effective date, Lessee shall, to continue this lease in full force and effect, make payment to Lessor of Delay Rental at the rate of Twenty Dollars (\$20.00) per acre per year, payments to be made annually or quarterly, at Lessors's option, until the commencement of a well.

Notwithstanding, the parties hereto agree that this is a Paid-Up Lease with no further Delay Rental and/or Delay in Marketing payments due to Lessor during the five-year term hereof, except additional payments shall be due and shall commence if a well is drilled and shut-in on the real property or any property with which it is unitized, and shall continue until royalty payments commence.

(C) ROYALTY: To pay Lessor as Royalty without deductions, as follows:

1. OIL: To deliver to the credit of Lessor, free of cost, a Royalty of the equal one-fourth (1/4) part of all oil and any constituents and/or other minerals thereof produced and marketed from the Leasehold.
2. GAS: To pay to Lessor an amount equal to one-fourth (1/4) of the gross proceeds realized by Lessee from the sale of all gas and the constituents thereof produced and marketed from the Leasehold.

(D) DELAY IN MARKETING: In the event that Lessee does not market producible gas, oil, or their constituents from the Leasehold, Lessee shall continue to pay Delay Rental until such time as marketing is established, and such payment shall maintain this Lease in full force and effect to the same extent as payment of Royalty, except that Lessee may not delay marketing by such payments for more than three (3) years, after which Lessor shall have the option of terminating the lease on ninety (90) days written notice to Lessee..

(E) SHUT-IN: In the event that production of oil, gas, or their constituents is interrupted and not marketed for a period of ninety (90) days, and there is no producing well on the Leasehold or lands pooled or unitized therewith, Lessee shall thereafter, as Royalty for constructive production, pay a Shut-in Royalty equal in amount and frequency to the Delay Rental until such time as production is re-established and said payment shall maintain this Lease in full force and effect to the same extent as payment of Royalty except that Lessee may not delay full re-establishment of

production by such payments for more than three (3) years, after which Lessor shall have the option of terminating this lease on ninety (90) days written notice to Lessee..

During Shut-in, Lessee shall have the right to rework, stimulate, or deepen any well on the Leasehold or drill a new well on the Leasehold in an effort to re-establish production, whether from an original producing formation or from a different formation. In the event that the production from the only producing well of the Leasehold or lands pooled or unitized therewith is interrupted for a period of less than three (3) months, this Lease shall remain in full force and effect without payment of Royalty or Shut-in Royalty.

(F) DAMAGES. Lessee will remove unnecessary equipment and materials and reclaim all disturbed lands at the completion of activities, and Lessee agrees to repair any damaged improvements to the land and pay for the loss of growing crops or marketable timber.

5. UNITIZATION. Lessor grants Lessee the right to pool, unitize, or combine all or parts of the Leasehold with other lands, whether contiguous or not contiguous, leased or unleased, whether owned by Lessee or by others, at a time before or after drilling to create drilling or production units either by contract right or pursuant to Governmental Authorization or Order. Such units will not exceed 640 acres (or such other size as allowed by the appropriate Governmental Authority). Where Lessee forms a unit by contract right, it may, at its' sole option, place of record, a copy of its Declaration of Unitization. Lessor shall be provided with notice of the formation of unit(s) as may be required under the Unitization Requirements of the appropriate Governmental Authority. Whether unit(s) are formed by contract right or by appropriate Governmental Authority, for all purposes of this Lease, the Leasehold shall be deemed to be unitized effective with the spud date of any well for which any portion of the Leasehold is finally determined to be included in the Unit(s) therefore. Lessee, shall not without the written consent of Lessor, change the size, shape, and conditions of operation or payment of any unit created. Lessor agrees to accept and receive out of the production or the net proceeds realized from the production of such unit, such proportional share of the Royalty from each unit well as the number of Leasehold net acres included in the unit bears to the total number of acres in the unit; for such purposes, Lessee, may definitively rely on acreage calculations determined by an engineer or land surveyor licensed in New York State made from actual on the ground surveys, the cost of which shall be paid by the Lessee and shall not be chargeable in any way to Lessor. Otherwise, drilling, operations in preparation for drilling, production, or shut-in production from the unit, or payment of Royalty or Delay Rental shall have the same effect upon the terms of this lease as if a well were located on the Leasehold. Once the the net acres of the real property in the unit have been determined, this lease shall automatically terminate as to all remaining acres of the real property not included therein.

6. FREE GAS. Lessor reserves from one gas producing well located on the surface of the real property and only for as long as commercial gas production exists from said well, two hundred fifty thousand (250,000) cubic feet of gas per year. Lessor permanently waives all rights to take physical possession of such reserved gas. Lessee agrees to pay once annually to Lessor, the cash value of such reserved gas at the average wellhead price received by Lessee, based upon three-quarters (3/4) of gross proceeds received by Lessee for gas produced from the real property or the Lessee's nearest gas production to the Leasehold. If Lessor conveys a portion of interest in the leasehold, Lessor may convey this reserved gas (cash Value) as part of such conveyance, but shall not subdivide such reserved gas (cash value).

7. FACILITIES. Lessee shall not drill a well within 200 feet of any structure located on the Leasehold without Lessor's written consent. Lessor shall never erect any building or structure, or plant any trees within 200 feet of a well or within 25 feet of a pipeline without Lessee's written consent. Lessor shall not improve, modify, degrade, or restrict roads and facilities built by Lessee without Lessee's written consent. The location of all facilities installed or erected on the real property must be approved in advance by the Lessor.

8. CONTINUING OPERATIONS. If, at the expiration of the primary term of this Lease, there is no production of oil, gas or condensate on the Leasehold or lands pooled or unitized therewith, but Lessee is engaged in operations for drilling, working, plugging back or deepening a well thereon, this Lease shall remain in force and its terms shall continue for so long as such operations or additional drilling, reworking, plugging back or deepening are prosecuted with no cessation of more than ninety (90) consecutive days and if any such operations result in the production of oil, gas, or condensate covered hereby, as long thereafter as there is production from the Leasehold or lands pooled or unitized therewith, or the term of this lease is otherwise extended by any of the provisions herein.

9. ENTIRE CONTRACT. The entire agreement between Lessor and Lessee is embodied herein. No oral warranties, representations, or promises have been made or relied upon by either party as an inducement to execute or modify this Lease. In the event any portion of this lease shall be declared unenforceable by a court of competent jurisdiction, the remaining portions of the lease shall continue in full force and effect.

10. SURRENDER. Lessee may surrender and cancel this lease with respect to the mineral rights as to all or any part of the Leasehold by recording a Surrender of Lease, and if a partial surrender, but in no event shall the full Delay rental provided in the PAYMENTS clause be reduced.

11. ASSIGNMENT. This Lease may be assigned by the Lessor, and may be assigned or sublet by the Lessee with the written consent of the Lessor.

12. SUCCESSORS. All rights, duties, and liabilities herein benefit and bind Lessor and Lessee and their heirs, successors, and assigns.

13. CHOICE OF LAW. The laws of the State of New York apply hereto; any court action arising hereunder shall be tried only in the courts of the State of New York; and Lessee, and its successors and assigns, hereby submit to the jurisdiction thereof.

14. DAMAGE. During operations on the premises Lessee shall not damage the structures, land, crops, or timber and shall not discharge any hazardous wastes, or pollute or damage any water supplies, or cause the real property to be flooded, and Lessee shall immediately repair or remedy any such damage at its own cost under the supervision of Lessor or their designees, and appropriate governmental authorities.

15. INSURANCE. Prior to commencing any operations on the premises, Lessee shall provide Lessor with a certificate of insurance acceptable to Lessor showing Lessee has workers compensation, and public liability insurance in at least the amount of \$5 Million, and naming Lessor as additional insured.

IF THIS LEASE BECOMES FORFEITED, TERMINATED OR EXPIRES WITH RESPECT TO THE MINERAL RIGHTS, THE LESSEE, OR IF THE LEASE HAS BEEN ASSIGNED, ASSIGNEE, IS REQUIRED TO PROVIDE A DOCUMENT CANCELING THE LEASE AS OF RECORD, AT NO COST TO THE CURRENT LAND OWNER. IF THE LESSEE OR ASSIGNEE FAILS TO CANCEL THE LEASE, THE CURRENT LANDOWNER MAY COMPEL A CANCELLATION PURSUANT TO SECTION 15-304 OF THE GENERAL OBLIGATIONS LAW.

NOTICE TO LESSOR:

THIS IS A LEASE OF OIL AND GAS RIGHTS, NOT A SALE, CONTAINING TERMS THAT MAY BE NEGOTIATED BY YOU. YOU HAVE THE RIGHT TO CANCEL THIS LEASE WITHIN THREE BUSINESS DAYS AFTER EXECUTION OF THE LEASE BY NOTIFYING THE LESSEE THAT YOU HAVE CANCELLED THIS CONTRACT. IN ORDER TO CANCEL THIS LEASE, YOU MUST EXECUTE A NOTICE OF CANCELLATION IN THE FORM PROVIDED BELOW. MAIL IT TO THE LESSEE AND REFUND ALL AMOUNTS PAID TO YOU BY THE LESSEE WITHIN THE THREE-DAY CANCELLATION PERIOD. THE MAILING MUST BE POSTMARKED WITHIN THE THREE-DAY CANCELLATION PERIOD TO BE EFFECTIVE.

## NOTICE OF CANCELLATION

\_\_\_\_\_, I/We hereby cancel this Lease.

Dated: \_\_\_\_\_

Signature(s): \_\_\_\_\_

THE PERSON PRESENTING THIS LEASE TO YOU IS (\_\_\_\_\_) NOT (\_\_\_x\_\_\_) A MEMBER OF NORTHERN APPALACHIAN LANDMAN'S ASSOCIATION AND THEREFORE IS (\_\_\_\_\_) NOT(\_\_\_x\_\_\_) SUBJECT TO A CODE OF CONDUCT. IF THE PERSON PRESENTING THIS LEASE TO YOU IS SUBJECT TO A CODE OF CONDUCT, A COPY OF THE CODE OF CONDUCT MUST BE PRESENTED TO YOU WITH THIS LEASE. IF APPLICABLE, THE CODE OF CONDUCT PROVIDES A DISPUTE RESOLUTION MECHANISM FOR ANY DISPUTE THAT YOU MAY HAVE REGARDING THE MANNER BY WHICH THIS LEASE WAS PRESENTED TO YOU. IF YOU HAVE ANY SUCH DISPUTE, YOU MAY INVOKE THE DISPUTE RESOLUTION MECHANISM OF THE CODE OF CONDUCT BY CONTACTING THE PERSON OR PERSONS DESIGNATED IN THE CODE OF CONDUCT. THE FAILURE OF THE LESSEE TO PAY ANY ROYALTIES TO YOU AS REQUIRED UNDER THE TERMS OF THE LEASE FOR A PERIOD OF FOUR CONSECUTIVE MONTHS OR MORE SHALL BE A DEFAULT UNLESS OTHERWISE PROVIDED BY LAW, AND WILL RESULT IN CANCELLATION OF THE LEASE APPLICATION TO THE TARGET FORMATION OF THE WELL WITHIN THE SPACING UNIT, FOLLOWING WRITTEN NOTIFICATION TO THE LESSEE OF YOUR INTENT TO CANCEL AND SIXTY DAYS FOR THE LESSEE TO CURE THE DEFAULT. IF THE LESSEE HAS A BONA FIDE DISPUTE REGARDING THE GROUNDS FOR CANCELLATION, SUCH DISPUTE AND THE REASONS THEREFOR MUST BE PROVIDED TO YOU IN WRITING OR THE DEFAULT MUST BE CURED WITHIN SUCH SIXTY DAY PERIOD, OTHERWISE THE LEASE SHALL BE CANCELLED.

IN WITNESS WHEREOF, the parties have hereunto set their hands to these presents as of the day and date first above written. =

DANIEL D. KONOWALOW and MARCY E.  
ROSENKRANTZ FAMILY TRUST, LESSOR

By: *Daniel D. Konowalow, Trustee and Beneficiary*  
Daniel D. Konowalow, Trustee  
and Beneficiary

By: *Marcy E. Rosenkrantz, Trustee and Beneficiary*  
Marcy E. Rosenkrantz, Trustee  
and Beneficiary

MORROW CREEK FARM, LLC

By: *Daniel D. Konowalow, Manager*  
Daniel D. Konowalow, Manager

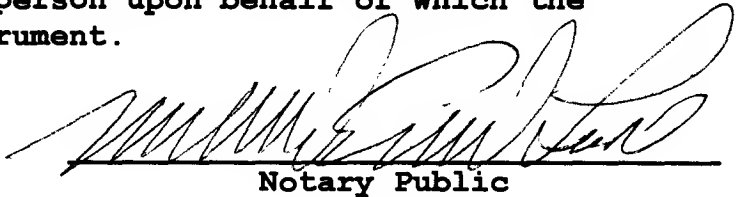
By: *Marcy E. Rosenkrantz, Member*  
Marcy E. Rosenkrantz, Member

## ACKNOWLEDGEMENT

State of New York )  
 County of Tompkins) ss.:

On February 6, 2008, before me, the undersigned, a Notary Public in and for said State, personally appeared DANIEL D. KONOWALOW and MARCY E. ROSENKRANTZ, Trustees and Beneficiaries, personally known to me or proved to me on the basis of satisfactory evidence to be the individuals whose names are subscribed to the within instrument and acknowledged to me that they executed the same in their capacities, and that by their signatures on the instrument, the individuals, or the person upon behalf of which the individuals acted, executed the instrument.

MICHAEL EDMOND LANE  
 NOTARY PUBLIC STATE OF NEW YORK  
 NO. 02LA4629856  
 QUALIFIED IN TOMPKINS COUNTY  
 COMMISSION EXPIRES MAY 31, 2010

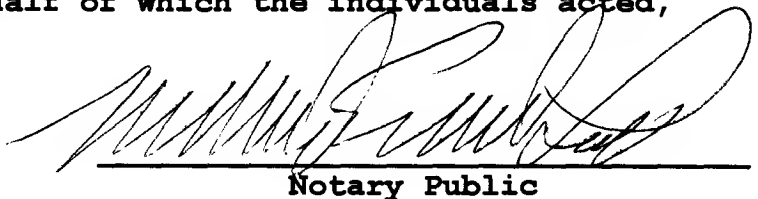
  
 Notary Public

## ACKNOWLEDGEMENT

State of New York )  
 County of Tompkins) ss.:

On February 6, 2008, before me, the undersigned, a Notary Public in and for said State, personally appeared DANIEL D. KONOWALOW, Manager and MARCY E. ROSENKRANTZ, Member, personally known to me or proved to me on the basis of satisfactory evidence to be the individuals whose names are subscribed to the within instrument and acknowledged to me that they executed the same in their capacities, and that by their signatures on the instrument, the individuals, or the person upon behalf of which the individuals acted, executed the instrument.

MICHAEL EDMOND LANE  
 NOTARY PUBLIC STATE OF NEW YORK  
 NO. 02LA4629856  
 QUALIFIED IN TOMPKINS COUNTY  
 COMMISSION EXPIRES MAY 31, 2010

  
 Notary Public